



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

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SAN DIEGO CITY TAXPAYERS ON THE HOOK FOR PAYING UNFUNDED PENSION BENEFITS

San Diego, CA—Since 2005, City Attorney Aguirre has been attempting to eliminate more than \$800 million in illegal and unfunded pension benefits, approved by City Councils in 1996 and 2002. But as a result of Superior Court Jeffrey B. Barton's ruling last Friday against the City, citing the statute of limitations, taxpayers will remain on the hook for paying these employee pension benefits. That is why City Attorney Aguirre is calling upon the Mayor and City Council to take decisive action to unburden taxpayers of this debt, which the taxpayers neither created nor approved.

“The money to pay for the pension benefits will come from a city account that belongs to you, the taxpayers, and is used for fixing our City’s streets, sidewalks, broken pipes, as well as funding our libraries and recreation centers,” said City Attorney Michael Aguirre. “It’s not right to divert these precious taxpayer dollars to cover an illegal pension debt.”

Beginning in Fiscal Year 2008, huge amounts of taxpayer dollars will be directed to the City employee pension system over the next 20 years. The annual pension contribution of over \$157 million will more than double to \$354 million by the end of the amortization period.

Among the actions the City Attorney is again recommending is for the San Diego City Council to rescind unfunded retroactive pension benefits that were granted to City employees by the City Council in 1996 and 2002. According to Aguirre, in Orange County last week, the Board of Supervisors took affirmative action to rescind unfunded retroactive pension benefits that were granted to public safety employees in 2001.

“The City of San Diego is being held hostage by the same four council members who created this ongoing financial mess by supporting unsustainable employee pension benefits in 2002,” said City Attorney Aguirre. “The United States Securities and Exchange Commission and attorneys for the San Diego City Employees’ Retirement System have all cited in their investigative reports that City and pension officials also had a forbidden financial stake in the outcome.”

In addition, the City Attorney’s Office will be appealing Judge Barton’s decision, citing errors in the decision against the City. According to Aguirre, new legislation (AB 1578) authored by Assembly member Hector De la Torre establishes a four-year statute of limitations for cases involving conflict of interest violations, and the intent is that the new law, which takes effect January 2008, is retroactive.

(MORE)

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Other action the City Attorney is recommending the City Council take includes the following:

- Rescind unfunded pension increases for elected officials;
- Terminate the use of an employee's 1 year highest salary to calculate his/her pension. Instead use a three year average, which will prevent manipulation of the system;
- Undo the action that allowed city employees to buy pension service credits at a reduced cost;
- Repeal the City Council's ordinance that provided indemnification for Board members on the San Diego Employees' Retirement System Board who commit wrong-doing;
- Restore the Office of the San Diego City Attorney as the chief legal advisor to the San Diego Employees' Retirement System.

To view a copy of the United States of America Securities and Exchange Commission's November 14, 2006, Cease-and-Desist Order against the City of San Diego, visit www.sandiegocityattorney.org, click "Significant Reports and Legal Documents."

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